



STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION

450 N STREET, SACRAMENTO, CALIFORNIA
PO BOX 942879, SACRAMENTO, CALIFORNIA 94279-0092
916-324-1825 • FAX 916-322-4530
www.boe.ca.gov

BETTY T. YEE
First District, San Francisco

BILL LEONARD
Second District, Ontario/Sacramento

MICHELLE STEEL
Third District, Rolling Hills Estates

JUDY CHU, Ph.D.
Fourth District, Los Angeles

JOHN CHIANG
State Controller

RAMON J. HIRSIG
Executive Director

January 16, 2009

VIA INTERNET

Dear Interested Party:

The Sales and Use Tax Department is proposing to revise Compliance Policy and Procedures Manual (CPPM) Chapter 7, *Collections*. As a result of these revisions, CPPM chapter 1, *General*, Chapter 2, *Registration*, and Chapter 3, *Account Maintenance*, were also revised. The text of the revisions to Chapter 7, provided in the following pages, includes the proposed changes summarized below. Contact information is provided on page 2 of this letter.

<u>CPPM Section</u>	<u>Summary of Revisions</u>
Chapter 7	Updated chapter to reflect new policies and procedures for collections. Some sections were renumbered to improve the sequencing of material within the chapter.
Chapter 1	Updated section 105.032, table of District and Branch Offices and Geographic Designators. Rewrote text of section 105.035 for clarity, and renumbered incorrect section numbers. Updated section 135.070 with new CPPM reference numbers. Rewrote text of section 105.073 for clarity.
Chapter 2	Revised text of sections 205.050 and 205.060 to improve clarity.
Chapter 3	Updated text in sections 315.030, 315.040, 315.060, 315.080, and 315.090 and corrected section reference numbers.

If you have any comments or suggestions related to the proposed changes described above, you may contact the Sales and Use Tax Department on or before March 13, 2009. Comments or suggestions regarding this material should be directed to the Compliance Manual Coordinator at CPPM.RevisionSuggestions@boe.ca.gov, or you may submit your comments or suggestions to:

Mr. Dave Rosenthal
Sales and Use Tax Department (MIC 50)
State Board of Equalization
P.O. Box 942879
Sacramento, CA 94279-0050
E-mail: dave.rosenthal@boe.ca.gov

Effective Dates of Change in Reporting Basis

315.030

~~Staff should avoid making any reporting basis changes that will create delinquencies, i.e., the effective date of the reporting basis change must be set sufficiently far in advance that IRIS does not route the account into the delinquency cycle. If a delinquency is created due to changing a taxpayer's reporting basis, a withhold should be placed on the account in IRIS so that the taxpayer will have enough time to file a timely return. A withhold delays the time in which the account enters the delinquency cycle. A withhold is not an extension of time to file or pay and it does not alter the due date of the return, therefore, penalty and interest will be due. In such case, a taxpayer may qualify for relief of interest under RTC section 6593.5 and relief of penalty under RTC section 6592.~~

~~If a delinquency is created due to~~ When changing the reporting basis, if delinquencies are created, withholds should be placed so the taxpayer will have enough time to file a timely return.

Form BOE-777, Notice of Change in Reporting Basis

315.040

~~If circumstances warrant doing so, The district s~~ Staff may decide at any time that to change the taxpayer's a reporting basis for an account should be changed, based on the account's taxpayer's reporting history. The on-line fForm BOE-777-E (or BOE-777-ST for special taxes accounts), *Notice of Change in Reporting Basis*, along with all tax returns for appropriate reporting periods, is are to be mailed to the taxpayer to as officially notificationy them of the change in reporting basis, along with any necessary returns. Staff will use IRIS to complete Form BOE-777 and An on-line comment should be made enter comments into the IRIS record regarding the reason(s) for the reporting basis change.

All reporting basis changes become effective the first day of the quarter, therefore, Thus, The the following four effective dates should be utilized when changing a taxpayer's reporting basis:

1. January 1.
2. April 1.
3. July 1.
4. October 1.

~~January 1, April 1, July 1, and October 1.~~ Only district personnel with appropriate security level can remove an account from prepayment basis or place Basis Review Protect codes on an account. In addition, a system-generated list of accounts removed from prepayment basis is sent to the district each year for review.

Form BOE-1241, Notice of Prepayment Status

315.050

Sales and use tax accounts meeting the conditions noted in CPPM 235.010 should be changed to a quarterly prepayment reporting basis. Form BOE-1241-D, *Notice of Prepayment Status*, must be printed and mailed to the taxpayer by the Board of EqualizationBOE employee making the change.

System Generated Reporting Basis Change**315.060**

The ~~mass~~-~~mass~~-change procedure is used to change the reporting basis according to an account's taxable measure history.

The following is a list of the various basis reviews and the effective dates.

PAYMENT RECORD SHOWS	BASIS CHANGE MADE	TO BASIS	EFFECTIVE
Monthly sales tax accounts reporting \$1200-\$3600 tax per year	Every June <u>May</u>	Q	July 1
Accounts reporting no sales or tax. (CPPM 645.130)	Every May	C/O or <u>Extend</u>	FY=6/30 Q, M, Y=12/31
Monthly sales tax accounts reporting less than \$1200 per year	Every December <u>November</u> Every May	Y <u>FY</u>	January 1 <u>July 1</u>
Yearly accounts reporting over \$1200 tax per year	Every December <u>November</u>	Q	January 1
Prepayment basis review	December <u>November</u> each year in HQ (not sent to district office)	Add or Delete QP	January 1
Quarterly sales tax accounts reporting less than \$1200 per year	Every December <u>November</u>	Y	January 1

Deletion of Prepayment Status Effective January 1**315.070**

When an account that qualifies for quarterly prepayment reporting basis is changed to a monthly or quarterly reporting basis with an effective date of January 1, a subsequent automatic review may change the basis back to quarterly prepayment. To avoid having an account returned to prepayment basis, authorized staff must use the appropriate Basis Review Protect code_(see CPPM ~~235.000~~ 230.095). This step requires supervisory approval.

Changes To (or From) Yearly Reporting Basis**315.080**

When an account is changed from a quarterly or monthly reporting basis to a yearly reporting basis, a copy of Form BOE-400-Y, *Important Reminder for Sales and Use Tax Accounts Reporting on a Yearly or Fiscal Yearly Basis*, is automatically generated by ~~the on-line system~~ IRIS and should be given to the taxpayer along with either Form BOE-777 or Form BOE-777-ST. A regular fiscal year basis is one ~~which~~ that begins July 1 of any year and ends June 30 of the next year.

Changes to Accounts on a Special Reporting Basis**315.090**

Only the ~~Account Analysis and Control Section~~ Return Analysis and Allocation Section can make changes to ~~an~~ sales and use tax accounts with a special reporting basis on-line. For complete instructions on requesting a special reporting basis, see CPPM 235.070. A request for a special reporting basis must be submitted by the taxpayer on Form BOE-715, *Special Reporting Periods for Sales and Use Tax*. Once the ~~Account-Return Analysis and Control-Allocation~~ Section receives a request, they will handle all necessary correspondence with the taxpayer and perform the on-line function required to initiate the basis change to a special reporting basis.